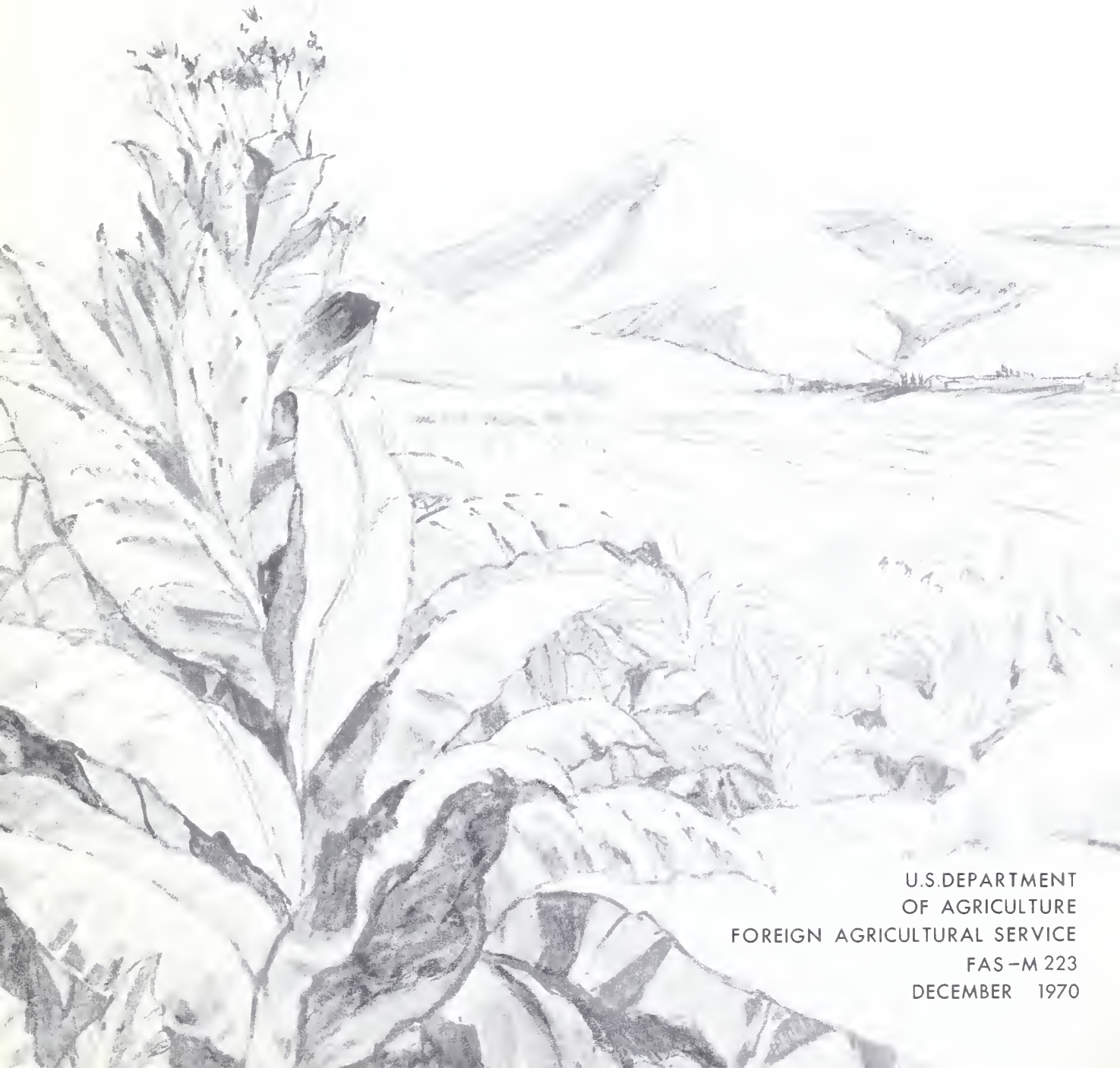
Burley Tobacco Production in Greece



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FOREWORD

In a single decade, Greece has gone from producing no burley tobacco to becoming the world's number-two exporter of this type, after the United States, and a competitor with the United States in foreign markets. The production and export of burley were encouraged by the Greek Government and tobacco industry as a means of increasing foreign exchange receipts and grower incomes by supplying a type of tobacco for which there was an increasing demand in foreign markets. Duty-free access to the European Community, of which Greece is an associate member, encouraged this endeavor. This publication traces the development of Greek burley production and trade.

This report is based on a recent field trip by the author to the Greek producing and marketing areas and on official trade sources and various trade publications. The cooperation of Greek Government officials, representatives of the National Tobacco Board, and members of the tobacco industry are gratefully acknowledged. Assistance from James C. Frink, the U.S. Agricultural Attaché, and his staff in Athens, especially Nick Triantaphyllides, during visits to production areas and with industry officials was invaluable.

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INTRODUCTION

The story of burley tobacco production in Greece is a young story—only about 10 years old. It is the story of an attempt to boost a segment of the country's agricultural economy by gearing it to the changing demands of the international market. And it is, by and large, a successful story.

By way of background, Greece compares in size to the State of North Carolina and has a population of about 9 million, two-thirds more than North Carolina. It is a country nearly surrounded by water, with much of its land area accounted for by islands in the Ionian, Mediterranean, and Aegean Seas. Because of its geographic location, it is not surprising that Greece is among the leading shipping powers of the world and that its economy depends largely on foreign trade. Imports represent almost 20 percent of the country's gross national product, and exports, about 6 percent. Agriculture is a major source of livelihood for the people of Greece, engaging about half the active population and providing more than half of total exports.

As in North Carolina, one of the principal crops produced in Greece is tobacco. The small size of farms, the soil and climate, and an ample supply of hand labor all favor tobacco production. There are about 200,000 planters and 50,000 other experienced workers engaged in the tobacco industry. Although Greek tobacco represents only about 2 percent of estimated world production, it accounts for about 10 percent of total Free World tobacco exports and about 25 percent of the value of all Greek exports. The tobacco industry yields about 12 percent of the total revenue from agriculture. Because of their substantial contribution to the economy, tobacco production and trade are encouraged by the Government.

For many years tobacco grown in Greece consisted of oriental varieties, which were exported to the United States and Europe for use in American-blend cigarettes. (Currently about 12 to 14 percent of the leaf used in U.S. cigarette manufacturing is oriental, principally from Greece and Turkey.) Production of these varieties in Greece dates back to the seventeenth century, and today Greece is the world's second-ranking producer of oriental tobaccos, after Turkey.

As demand for American-blend cigarettes increased in many countries, so did the demand for the major types of tobacco used in these cigarettes—flue-cured and burley. Greece experimented with both these types and found it could grow burley successfully. Henceforth, expansion of burley production and trade became a major endeavor of the Greek Government and tobacco industry. Experimental plantings began in 1960, and production increased over the decade, encouraged by world demand and by duty-free access to the world's largest tobacco market, the European Community, of which Greece is an associate member. In 1970, Greek production of burley amounted to almost 29 million pounds, (13,000 metric tons), and it is expected to continue to increase. Greece now ranks as the world's fifth-largest producer and number-two exporter of burley.

for burley production. Irrigation is widely used during the field transplanting and the growing season. Disease-control measures are extensive and are being carried out adequately. Special care is provided for protection against blue-mold, which often is achieved by numerous spraying operations with powered spraying equipment.

Current problems affecting the cultivation, fertilization, and curing of burley leaf are being investigated by the Tobacco Institute, and growers are constantly advised as to the best practices for producing quality leaf that meets the demands of export buyers.

Production, the five-year plan

Production of burley tobacco in Greece increased from 985,000 pounds in 1962 to over 26 million in 1969 and an estimated 28.7 million in 1970. Today, Greece ranks as the world's fifth largest producer of burley. The National Tobacco Board tried to encourage even greater output of burley in 1970 by increasing its production goal. The original goal for 1970 was 13,000 metric tons (28.7 million pounds), about 13 percent more than in 1969. However, demand for burley leaf brought higher farm prices for the 1969 crop, and the Board revised the 1970 production goal upward to 15,000 tons (about 33 million pounds). In addition to revising the production goal, the Board licensed new tobacco growers and removed regulations placing a ceiling of 5 hectares on farm size.

GREEK TOBACCO PRODUCTION [FARM WEIGHT]: GOALS AND ACTUAL OUTPUT

	1969		1970		
	Goal	Actual	Original goal	Revised goal	Actual[1]
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Oriental:					
Export varieties	82.4	52.6	92.5	98.8	61.0
Domestic varieties	14.0	13.4	14.0	14.5	14.0
Burley	11.5	12.0	13.0	15.0	13.0
Total	107.9	78.0	119.5	128.3	88.0

[1] Estimate as of September 1, 1970.

The Greek Government is particularly anxious to gear tobacco production to the needs of foreign buyers, especially those in the European Community. The prospect of better export receipts was the main impetus behind the initiation of burley cultivation. As part of this effort, the National Tobacco Board in 1969 developed a 5-year plan to govern production of all tobaccos for the period 1970 to 1974. The plan set production goals for both burley and oriental tobaccos and included measures necessary for their attainment. Its overall target is to achieve a better balance between the kinds of tobacco produced and the demands of the international market and thus increase exports, foreign currency receipts, and grower incomes.

The plan called for 68-percent increase in burley production, from 11,500 metric tons (25 million pounds) in 1969 to 19,000 tons (41.9 million pounds) in 1974. It set an annual increase in burley production of 1,500 tons (about 3.3 million pounds) during the 5-year period. In addition to burley, the plan set goals for production of oriental leaf, seeking to increase production of the more desirable varieties and decrease that of the less desirable ones.

The acceptable quality of the burley produced so far and the apparent success in moving it into export channels supported the above moves. To achieve the burley production goals of the 5-year plan, the National Tobacco Board is promoting the cultivation of burley varieties in new areas and encouraging quality improvement. Although production in some areas is experiencing year-to-year ups and downs, the Board is striving to maintain control over production to achieve increases in quantity without sacrificing quality.

Above left, some farmers still plow their tobacco fields in this manner although mechanization is increasing; right, women transplant tobacco seedlings.

Left, drying barns for burley tobacco, located in northern Greece; below left, mature burley plants ready for harvesting; below right, Greek tobacco being loaded for export.

LEAF TOBACCO PRODUCTION GOALS IN GREECE

	1969	1970	1971	1972	1973	1974
Oriental:	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Export varieties:						
A	–	82.8	83.6	84.6	86.2	88.0
B	82.4	92.6	95.0	97.7	100.4	103.1
C	–	98.8	–	–	–	–
D	52.6	[1] 69.3	–	–	–	–
Domestic varieties:						
A	–	14.5	15.0	15.5	16.0	16.5
B	14.0	14.0	14.4	14.8	15.2	15.6
C	–	14.5	–	–	–	–
D	13.4	[1] 16.7	–	–	–	–
Total oriental:						
A	–	97.3	98.6	100.1	102.2	104.5
B	96.4	106.6	109.4	112.5	115.6	118.7
C	–	113.3	–	–	–	–
D	66.0	[1] 86.0	–	–	–	–
Burley:						
A	–	12.0	12.5	13.0	13.5	14.0
B	11.5	13.0	14.5	16.0	17.5	19.0
C	–	15.0	–	–	–	–
D	12.0	13.0	–	–	–	–
Total, all tobaccos:						
A	–	109.5	111.5	113.1	115.7	118.5
B	107.9	119.6	123.9	128.5	133.1	137.7
C	–	128.3	–	–	–	–
D	78.0	99.0	–	–	–	–

Note: A–preliminary plan (spring 1969).
B–final plan (fall 1969).
C–modification of plan for 1970 crop only.
D–actual production 1969; estimated 1970 (farm weight).

[1] Latest estimates by the National Tobacco Board.

Source: National Tobacco Board, Athens, Greece.

Harvesting and curing

The National Tobacco Board issues specific directives on preparation of burley for market, including harvesting methods, drying processes, and grading and packing. A grower who deviates from these directives runs the risk of losing his license or not being considered for credits and subsidies from the Agricultural Bank.

The harvesting season usually begins in July and runs through late August. Ripening and harvesting are controlled with extreme care. In harvesting, the leaves are primed, leaf by leaf, as they ripen and are strung on curing sticks. These sticks, with 60 to 80 leaves, are then hung in specially built curing barns, which provide good control of humidity and air flow. Some of the larger growers hire labor for priming, while the smaller ones use family and other locally available help.

Curing is carried out in 3 to 6 weeks by the individual grower or by the companies that purchase the leaf from him. Companies that do the curing themselves may pay growers for their leaf on the basis of the green weight or on the basis of the weight after curing.

Growers sort their dried leaf into three qualities, generally according to stalk position. The leaves are usually tied into bundles or hands, but sometimes they are packed loose, depending upon the requirements of the purchaser.

Production costs for burley are relatively high. Including the major costs for field rental and amortization of curing barns and machinery, the total cost currently runs about $742 per acre. Based on average yields, this amounts to about 30 cents per pound on farm-weight-equivalent leaf.

COST OF BURLEY CULTIVATION IN GREECE

Item	Cost
	Dollars per acre
Rent (for the field)	148
Seed beds	20
Cultivation expenses	14
Fertilizers	27
Pesticides	20
Transplanting	27
Weeding	41
Irrigation	67
Leaf picking and tying	135
Separation-baling	121
Various materials (strings, etc.)	14
Amortization (barns, machinery, etc.)	108
Total	742

Note: Costs calculated on average yield per acre by a major contractor-buyer in the Thessaloníki area.

MARKETING

Domestic selling, prices

Selling of burley is usually carried out in accordance with the contract agreed to by grower and purchaser prior to planting. However, because of a heavy demand for the 1969 crop, many growers and buyers ignored their agreements and bought and sold freely.

All the burley is purchased for export. Domestic buyers have so far been limited in their purchases to domestic oriental varieties, and cigarette manufacturers have not been allocated any domestic burley for use in their blends. This restriction was established to prevent domestic manufacturers from competing with export buyers, which would reduce the amount of burley available for export as well as bid up the price. For the 1970 crop, this regulation may be modified to give domestic manufacturers more freedom in buying leaf for their blends. Such action could further increase the demand for Greek burley leaf in the years ahead.

Redrying facilities for burley are privately owned and currently consist of three large plants in addition to a number of smaller, company-owned facilities. These plants, located in Saloniki and near Alexandria, are equipped with the most modern systems. New plants are reportedly planned to keep pace with the rapidly increasing production of burley.

Income from tobacco production on a man-hour basis is becoming less attractive for Greek growers of oriental tobaccos. However, burley producers are rather enthusiastic over their prices and incomes. The 1969 burley crop sold very well, with growers averaging a record 40 to 42 cents per pound, compared to the 1968 average of 32 to 34 cents. During the 1970 season, prices on some sales reportedly reached as much as 65 to 90 cents per pound.

AVERAGE PRICES OF GREEK BURLEY BY REGION

Region	1963	1964	1965	1966	1967	1968	1969
	U.S. cents per pound	*U.S. cents per pound*	*U.S. cents per pound*	*U.S. cents per pound*	*U.S. cents per pound*	*U.S. cents per pound*	*U.S. cents per pound*
Eastern Macedonia	–	–	–	–	–	–	33.1
Central-West Macedonia	27.6	22.5	24.6	28.4	28.3	32.5	41.6
Thessaly	19.5	21.0	25.1	27.7	27.2	28.6	38.7
Aetoloakarnania	–	–	24.6	25.7	26.8	26.9	29.5
Epirus	–	26.2	25.9	25.1	25.7	25.7	–
Thebes	–	–	–	26.2	23.1	22.7	–
Peloponnesus	–	–	20.0	–	26.3	–	28.0
Other	–	40.4	57.6	49.1	58.7	–	–
All regions	27.7	26.2	27.8	29.8	28.3	32.1	41.0

Exports

In a very short period of time, Greece has become the world's second-ranking exporter of burley tobacco, after the United States. Greek burley now accounts for about 15 percent of all the burley moving in world trade. Much of the rapid success for the burley industry can be attributed to the role played by the export companies. They have encouraged farmers to grow this variety and have guaranteed to purchase the crop at acceptable prices. The larger and most active export firms account for a major portion of the production and marketing of the burley crop.

Beginning with only 264 tons (about 580,000 pounds) from the 1962-63 crop, exports of burley have risen nearly each year to a total of 7,378 tons (16.3 million pounds) from the 1968-69 crop. On a calendar year basis, Greek burley exports reached a high of 19.1 million pounds in 1969, compared with 17.5 million in 1968 and 10 million in 1967. Although all production has been directed to the export market, Greece has not as yet had to worry about unsold stocks.

GREEK EXPORTS OF BURLEY TOBACCO

Crop year	Exports
	1,000 pounds
1962-63	582
1963-64	2,844
1964-65	4,052
1965-66	11,614
1966-67	9,544
1967-68	13,785
1968-69	16,265

The European Community is the most important market area for Greek burley. Greece's associate membership in the Community permits its tobacco duty-free access. Among individual countries, West Germany has consistently been the major buyer of Greek burley, taking about 50 percent of the 1968-69 crop. In previous years, West Germany bought as much as 75 to 85 percent of Greece's total burley exports. The next largest destination in 1968-69 was Egypt, which purchased over 4 million pounds or about 25 percent of the total. Other significant buyers include Belgium, France, Austria, Italy, and Switzerland.

Compared with the high prices of U.S. burley in foreign trade, prices of Greek burley have remained relatively low. As a result, Greece is attracting additional foreign buyers from year to year. Greek burley export prices have gained some in recent years but have averaged about 49 to 52 cents per pound. Although these prices may be somewhat higher than those of burley from some other countries, they continue to be 50 to 60 percent below comparable U.S. burley prices. Average annual export prices of burley-type tobacco from South Korea ranged from

EXPORTS AND EXPORT PRICES OF GREEK BURLEY TOBACCO

Year and destination	Volume	Average price per pound
	1,000 pounds	*U.S. cents*
1967-68	13,785	51.0
1966-67	9,544	48.7
1968-69:		
West Germany	8,261	52.8
Egypt	4,078	59.3
Belgium	1,171	48.2
France	772	25.9
Austria	555	56.2
Italy	409	33.9
Switzerland	350	70.5
United States	256	27.4
Hungary	220	68.5
Finland	86	30.8
Netherlands	41	39.1
Cameroon	33	34.0
Australia	33	37.4
Total	16,265	52.4

ESTIMATED FREE WORLD BURLEY EXPORTS, CALENDAR YEAR

Country	1960-64 average	1965	1966	1967	1968	1969
	Mil. lb.	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*
United States	41.5	45.3	45.7	46.1	42.8	52.0
Japan	8.0	9.8	10.8	5.2	7.7	8.0
Mexico	5.1	7.8	12.6	8.8	9.0	13.0
Greece	1.5	4.1	11.6	10.0	17.5	19.1
South Korea	.6	1.3	2.6	8.8	10.0	10.0
Italy	8.6	7.7	8.0	11.4	9.9	9.0
Rhodesia .)		–	–	–	–	–
Malawi .)	4.6	5.6	4.7	4.3	6.1	7.0
Zambia .)		4.5	2.0	0.5	0.2	0.6
Canada	1.9	2.1	2.0	.5	.6	.4
Others	1.7	4.0	4.0	6.9	11.4	10.0
Total	73.5	92.2	104.0	102.5	115.2	129.1

27 to 31 cents per pound during the period 1963 to 1967. Canada's burley export prices rose from an average of about 58 cents in earlier years to 78 cents in 1967, then dropped back to 63 cents in 1969. The average export price for U.S. burley shipments was 95.5 cents per pound in 1968 and increased to 98.2 cents in 1969.

The successful development of burley cultivation and trade has renewed some interest in Greece in experiments to determine the possibilities of producing other types of tobacco in demand in world markets, including the flue-cured varieties.

PROSPECTS

Through its experience with burley tobacco during the 1960's, Greece has demonstrated its ability to produce and export, in quantity, a type of tobacco in key with demand in major importing markets. For the future, a more important criterium than quantity will be quality. Attempts to upgrade the quality of leaf produced have met with considerable success, but a major factor in the future will be whether quality improvement can become widespread without increasing production costs to the point where the tobacco produced will lose its competitive price position.

Competition is another factor in the future for Greek burley. In addition to the large supplies of U.S. burley available for export,[1] burley from a number of rather new exporters is entering the market. Mexico has started to export burley at a price of 45 to 55 cents per pound, very competitive with comparable leaf produced in Greece. And South Korea has become a significant burley exporter, with its prices in recent years much lower than those of Greece.

Favoring Greece's position as a burley exporter are its duty-free access to the European Community and its bilateral trading agreements with EC countries. One such country—West Germany—also has a policy of favoring trade with exporting countries capable of importing quantities of industrial goods. West Germany is Greece's biggest buyer of burley.

Preferential access to the European Community may be expected to bring some further emphasis in Greece on production of burley and other tobaccos in demand in the Community and in other foreign markets. However, final adoption of the Common Agricultural Policy for tobacco—with its price supports to growers and premiums to buyers and manufacturers using domestic tobaccos—is likely to encourage increased production within the Community, as well as in associated areas like Greece. Thus, it may be unreasonable to assume that the potential for Greek exports of burley to the Community is unlimited. Within a few years, with the Community market for burley more adequately supplied, Greece could be faced with surpluses of burley leaf.

Assuming that one-half of the cigarettes consumed in the Community as now constituted are American-type blends or some modification thereof, the Community requires approximately 110 million pounds of burley. This leaf is currently supplied by Community production of 65 million pounds, imports from the United States of 26 million, imports from Greece of 11 million, and the balance from other third-country suppliers. Any increase in Greek burley shipments at this level of use would be in direct competition with Community production as well as with shipments from the United States and other third countries.

[1] The United States currently has large surplus supplies of burley leaf. There are 475 million pounds in U.S. Government loan stocks, some of which may be expected to move into export channels.

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